

GENESEE SCHOOL DISTRICT #6

GENESEE, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 10, 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Genesee School District #6

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Genesee School District #6's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6 as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated August 10, 2005 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II – VII and 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Genesee School District #6's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

Genesee School District #6, a K-12 school District located in Genesee County, Michigan, is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Genesee School District #6's Administration's discussion and analysis of the financial results for the year ended June 30, 2005.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

District Wide Financial Statements: (Continued)

These two statements report the Genesee School District #6 net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the years ended June 30, 2005 and 2004:

| | <u>2005</u> | <u>2004</u> |
|--|----------------------------|----------------------------|
| <u>ASSETS</u> | | |
| Current Assets | \$2,549,204 | \$2,645,604 |
| Non-Current Assets | <u>9,138,029</u> | <u>9,440,219</u> |
| <u>TOTAL ASSETS</u> | <u><u>\$11,687,233</u></u> | <u><u>\$12,085,823</u></u> |
| <u>LIABILITIES</u> | | |
| Current Liabilities | \$2,017,688 | \$1,915,373 |
| Long-Term Liabilities | <u>10,377,094</u> | <u>10,444,305</u> |
| Total Liabilities | \$12,394,782 | \$12,359,678 |
| <u>NET ASSETS</u> | | |
| Invested in Capital Assets - Net of Related Debt | (1,453,898) | (1,310,808) |
| Restricted - Debt Service | 54,122 | 86,229 |
| Unrestricted | <u>692,227</u> | <u>950,724</u> |
| Total Net Assets | <u><u>(\$707,549)</u></u> | <u><u>(\$273,855)</u></u> |
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | <u><u>\$11,687,233</u></u> | <u><u>\$12,085,823</u></u> |

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

RESULTS OF OPERATIONS:

For the years ended June 30, 2005 and 2004, the District wide results of operations were:

| | <u>2005</u> | <u>2004</u> |
|---|---------------------------|---------------------------|
| <u>REVENUES</u> | | |
| <u>General Revenues:</u> | | |
| Property Taxes Levied for General Operations | \$272,887 | \$271,928 |
| Property Taxes Levied for Debt Service | 466,999 | 448,662 |
| State of Michigan Unrestricted Foundation Aid | 6,070,936 | 6,085,750 |
| Other General Revenues | <u>72,626</u> | <u>100,991</u> |
| Total General Revenues | \$6,883,448 | \$6,907,331 |
| <u>Operating Grants:</u> | | |
| Federal | 703,768 | 688,605 |
| State of Michigan | 585,793 | 553,132 |
| Other Operating Grants | <u>137,902</u> | <u>94,284</u> |
| Total Operating Grants | \$1,427,463 | \$1,336,021 |
| <u>Charges for Services:</u> | | |
| Food Service | 73,151 | 72,462 |
| Athletics | 23,591 | 20,478 |
| Other Charges for Services | <u>33,562</u> | <u>10,210</u> |
| Total Charges for Services | \$130,304 | \$103,150 |
| Total Revenues | \$8,441,215 | \$8,346,502 |
| <u>EXPENSES</u> | | |
| Instruction & Instructional Support | 5,245,402 | 5,423,725 |
| Support Services | 2,407,852 | 1,888,362 |
| Community Services | 31,803 | 13,124 |
| Food Service | 315,273 | 305,754 |
| Athletics | 269,978 | 247,853 |
| Bond Issuance Costs | 0 | 61,197 |
| Interest on Long-Term Debt | 361,683 | 540,330 |
| Depreciation | <u>242,918</u> | <u>242,918</u> |
| Total Expenses | \$8,874,909 | \$8,723,263 |
| <u>(DECREASE) IN NET ASSETS</u> | (\$433,694) | (\$376,761) |
| <u>BEGINNING NET ASSETS (DEFICIT)</u> | <u>(273,855)</u> | <u>102,906</u> |
| <u>ENDING NET ASSETS (DEFICIT)</u> | <u><u>(\$707,549)</u></u> | <u><u>(\$273,855)</u></u> |

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2005, the District's Total Net Assets decreased by \$433,694 to a total of \$(707,549). The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$143,090 during the year due depreciation and principal payments on related debt exceeding the purchase of new capital assets. The deficit in investment of capital assets is due in part to the loan balance in the Michigan School Bond Loan Fund. The districts Unrestricted Net Assets decreased by \$258,497 during the year and the restricted portion of the net assets decreased by \$32,107. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt and the restricted debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students. The significant changes in unrestricted net assets was the general fund expenditures exceeding revenues.

Analysis of Results of Operations

The District's overall expenses exceeded its revenues for the year by \$433,694. The total revenues increased by \$94,713 or 1% over last years amounts. The major change was an increase in operating grants received by the District. Expenditures increased by \$151,646. Major changes were due to salary and fringe benefit increases.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$241,250 during the year with the decrease coming primarily in cash. Revenues for the year increased by \$77,059 primarily from full funding of the \$6,700 per pupil membership allowance. Expenditures and other financing uses increased by \$63,998, primarily from increases in salaries and fringe benefits. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy.

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Genesee School District #6 foundation allowance was \$6,700 per student for the 2004-2005 school year.

3. Student Enrollment:

The District's student enrollment for the fall count of 2004-2005 was 977 students. A decrease of 13 students from the prior year.

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.9748 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2004-2005 year was \$272,887. An increase of \$2,823 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

| Fiscal Year | Original Budget | Final Budget | Actual | Variance Original & Final Budget % | Variance Actual & Final Budget % |
|---------------------|---------------------------|---------------------------|---------------------------|--|-------------------------------------|
| | | | | | |
| Revenue | \$7,642,198 | \$7,607,399 | \$7,619,931 | 0.46 | 0.16 |
| Expenditures | 7,787,580 | 7,906,887 | 7,861,181 | 1.51 | 0.58 |
| <u>TOTAL</u> | <u>(\$145,382)</u> | <u>(\$299,488)</u> | <u>(\$241,250)</u> | | |

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming year prior to July 1, the start of the year.

As a matter of practice, Genesee School District #6 amends its budget during the school year. The June, 2005 budget amendment was the final budget for the year. The variances between original and final budgets for revenue were due to a state aid reduction. This reduction occurred because of a drop in enrollment. The difference between original and final budgets for expenditures is due to an increase in salaries and fringe benefit costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

| | Principal Balance 7-01-04 | Increases 6-30-05 | Principal Payments 6-30-05 | Principal Balance 6-30-05 |
|--|---------------------------------|-------------------------|----------------------------------|---------------------------------|
| Bonds Payable | \$8,094,046 | \$0 | \$350,000 | \$7,744,046 |
| Bus Note & Contracts Payable | 112,811 | 0 | 21,100 | 91,711 |
| MI School Bond Loan Fund | 2,544,170 | 212,000 | 0 | 2,756,170 |
| Vacation & Sick Days Payable | 64,379 | 3,206 | 0 | 67,585 |
| <u>Total Long-Term Bond Obligations</u> | <u>\$10,815,406</u> | <u>\$215,206</u> | <u>\$371,100</u> | <u>\$10,659,512</u> |

GENESEE SCHOOL DISTRICT #6
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

A. Debt, Principal Payments (Continued)

Significant debt transactions for the year besides the required principal and interest payments was the activity of the Michigan School Bond Loan Fund as follows:

B. Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 1987 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 1987 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. The balance payable at June 30, 2005 was \$2,756,170.

C. Capital Assets

The district's net investment in capital assets decreased by \$302,190 during the year. This can be summarized as follows:

| | BALANCE JULY 1, 2004 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30, 2005 |
|--------------------------------------|-------------------------|--------------------|------------|--------------------------|
| Capital Assets | \$15,463,989 | \$13,805 | \$0 | \$15,477,794 |
| Less: Accumulated Depreciation | (6,023,770) | (315,995) | 0 | (6,339,765) |
| <u>Net Investment Capital Outlay</u> | <u>\$9,440,219</u> | <u>(\$302,190)</u> | <u>\$0</u> | <u>\$9,138,029</u> |

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Genesee School District #6.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

| | Governmental Activities | |
|---|-------------------------|--------------------|
| | 2005 | 2004 |
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash and Cash Equivalents | \$1,337,756 | \$1,292,158 |
| Due from Other Governmental Units | 1,207,617 | 1,350,266 |
| Inventory | 3,831 | 3,180 |
| Total Current Assets | \$2,549,204 | 2,645,604 |
| <u>NON-CURRENT ASSETS</u> | | |
| Capital Assets | 15,477,794 | 15,463,989 |
| Less: Accumulated Depreciation | (6,339,765) | (6,023,770) |
| Total Noncurrent Assets | \$9,138,029 | \$9,440,219 |
| <u>TOTAL ASSETS</u> | \$11,687,233 | \$12,085,823 |
| <u>LIABILITIES</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts Payable | 56,079 | 25,443 |
| State Aid Anticipation Note Payable | 1,000,000 | 1,000,000 |
| Accrued Expenses | 57,511 | 59,772 |
| Salaries Payable | 621,680 | 445,651 |
| Deferred Revenue | 0 | 13,406 |
| Current Portion of Long-Term Obligations | 282,418 | 371,101 |
| Total Current Liabilities | \$2,017,688 | \$1,915,373 |
| <u>NON-CURRENT LIABILITIES</u> | | |
| Noncurrent Portion of Long-Term Obligations | 10,377,094 | 10,444,305 |
| <u>TOTAL LIABILITIES</u> | \$12,394,782 | \$12,359,678 |
| <u>NET ASSETS</u> | | |
| <u>NET ASSETS</u> | | |
| Invested in Capital Assets, Net of Related Debt | (1,453,898) | (1,310,808) |
| Restricted for: | | |
| Debt Service | 54,122 | 86,229 |
| Unrestricted | 692,227 | 950,724 |
| <u>TOTAL NET ASSETS</u> | <u>(\$707,549)</u> | <u>(\$273,855)</u> |

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENTS OF ACTIVITIES
JUNE 30, 2005 AND 2004

| <u>FUNCTIONS/PROGRAMS</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue & Change in Net Assets</u> | <u>Net (Expense) Revenue & Change in Net Assets</u> |
|---|--------------------|---------------------------------|---|---|---|
| | | <u>Charges For Services</u> | <u>Operating Grants and Contributions</u> | | |
| Governmental Activities: | | | | | |
| Instruction | \$5,245,402 | \$0 | \$1,043,690 | (\$4,201,712) | (\$4,398,231) |
| Support Services | 2,407,852 | 33,562 | 149,492 | (2,224,798) | (1,772,278) |
| Community Services | 31,803 | 0 | 0 | (31,803) | (13,124) |
| Food Service | 315,273 | 73,151 | 234,281 | (7,841) | (28,639) |
| Athletics | 269,978 | 23,591 | 0 | (246,387) | (227,375) |
| Bond Issuance Costs | 0 | 0 | 0 | 0 | (61,197) |
| Interest - Long-Term Obligations | 361,683 | 0 | 0 | (361,683) | (540,330) |
| Depreciation - Unallocated | 242,918 | 0 | 0 | (242,918) | (242,918) |
| <u>TOTALS</u> | <u>\$8,874,909</u> | <u>\$130,304</u> | <u>\$1,427,463</u> | <u>(\$7,317,142)</u> | <u>(\$7,284,092)</u> |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property Taxes, Levied for General Purposes | | | | 739,886 | 720,590 |
| State Aid | | | | 6,070,936 | 6,085,750 |
| Grants and Contributions Not Restricted to Specific Programs | | | | 28,759 | 26,803 |
| Investment Earnings | | | | 22,286 | 17,401 |
| Miscellaneous | | | | 21,581 | 56,787 |
| Total General Revenues and Transfers | | | | <u>\$6,883,448</u> | <u>\$6,907,331</u> |
| Change in Net Assets | | | | <u>(\$433,694)</u> | <u>(\$376,761)</u> |
| Net Assets - Beginning (Deficit) | | | | <u>(273,855)</u> | <u>102,906</u> |
| <u>NET ASSETS - ENDING (DEFICIT)</u> | | | | <u>(\$707,549)</u> | <u>(\$273,855)</u> |

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------------------|--------------------------------|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$1,239,488 | \$98,268 | \$1,337,756 |
| Due from Other Funds | 19,953 | 11,788 | 31,741 |
| Due from Other Governmental Units | 1,207,617 | 0 | 1,207,617 |
| Inventory | 0 | 3,831 | 3,831 |
| <u>TOTAL ASSETS</u> | <u>\$2,467,058</u> | <u>\$113,887</u> | <u>\$2,580,945</u> |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$29,200 | \$26,879 | \$56,079 |
| State Aid Anticipation Note Payable | 1,000,000 | 0 | 1,000,000 |
| Due to Other Funds | 11,788 | 19,953 | 31,741 |
| Salaries Payable | 621,680 | 0 | 621,680 |
| Total Liabilities | \$1,662,668 | \$46,832 | \$1,709,500 |
| <u>FUND BALANCES</u> | | | |
| Reserved For: | | | |
| Inventory | 0 | 3,831 | 3,831 |
| Debt Retirement | 0 | 54,122 | 54,122 |
| Unreserved: | | | |
| Undesignated, Reported In: | | | |
| General Fund | 804,390 | 0 | 804,390 |
| School Service Funds | 0 | 9,102 | 9,102 |
| Total Fund Balances | <u>\$804,390</u> | <u>\$67,055</u> | <u>\$871,445</u> |
| <u>TOTAL LIABILITIES AND FUND BALANCES</u> | <u>\$2,467,058</u> | <u>\$113,887</u> | <u>\$2,580,945</u> |

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

| | | |
|--|-------------|---------------------|
| Total Governmental Fund Balances: | | \$871,445 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$15,477,794 and the accumulated depreciation is \$6,339,765 | | 9,138,029 |
| Accrued Interest on Long-Term Debt | | (57,511) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of: | | |
| Bonds Payable | \$7,744,046 | |
| Contracts Payable | 91,711 | |
| MI School Bond Loan | 2,756,170 | |
| Sick Days Payable | 67,585 | |
| Total Long-Term Liabilities | | <u>(10,659,512)</u> |
| <u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u> | | <u>(\$707,549)</u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|--------------------|--------------------------------|--------------------------------|
| <u>REVENUES</u> | | | |
| Local Sources | \$393,903 | \$587,002 | \$980,905 |
| State Sources | 6,642,275 | 14,454 | 6,656,729 |
| Federal Sources | 483,941 | 219,827 | 703,768 |
| Total Revenues | <u>\$7,520,119</u> | <u>\$821,283</u> | <u>\$8,341,402</u> |
| <u>EXPENDITURES</u> | | | |
| Current: | | | |
| Instruction | 5,239,148 | 0 | 5,239,148 |
| Student Services | 295,782 | 0 | 295,782 |
| Instructional Support | 179,348 | 0 | 179,348 |
| General Administration | 309,792 | 0 | 309,792 |
| School Administration | 525,629 | 0 | 525,629 |
| Business Administration | 50,797 | 0 | 50,797 |
| Operation & Maintenance of Plant | 699,937 | 0 | 699,937 |
| Transportation | 219,306 | 0 | 219,306 |
| Support Services - Other | 80,978 | 0 | 80,978 |
| Community Services | 31,803 | 0 | 31,803 |
| Food Service | 0 | 574,948 | 574,948 |
| Debt Service | 0 | 713,944 | 713,944 |
| Total Expenditures | <u>\$7,632,520</u> | <u>\$1,288,892</u> | <u>\$8,921,412</u> |
| Excess (Deficiency) of Revenues | | | |
| Over (Under) Expenditures | (\$112,401) | (\$467,609) | (\$580,010) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers from (to) Other Funds | (207,200) | 207,200 | 0 |
| Other Transfers | 78,711 | 212,000 | 290,711 |
| Total Other Financing Sources (Uses) | <u>(\$128,849)</u> | <u>\$419,200</u> | <u>\$290,351</u> |
| Net Change in Fund Balance | (\$241,250) | (\$48,409) | (\$289,659) |
| <u>FUND BALANCE - BEGINNING</u> | <u>1,045,640</u> | <u>115,464</u> | <u>1,161,104</u> |
| <u>FUND BALANCE - ENDING</u> | <u>\$804,390</u> | <u>\$67,055</u> | <u>\$871,445</u> |

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

| | |
|--|-------------|
| Total net change in fund balances - governmental funds | (\$289,659) |
|--|-------------|

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|-----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. | (302,190) |
|--|-----------|

| | |
|---|---------|
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds. | 371,100 |
|---|---------|

| | |
|---|-----------|
| Loan Proceeds from the Michigan School Bond Loan Fund | (212,000) |
|---|-----------|

| | |
|---|-------|
| Change in accrued interest on long-term liabilities | 2,261 |
|---|-------|

| | |
|--|----------------|
| (Increase) in accrued compensated absences | <u>(3,206)</u> |
|--|----------------|

| | |
|--|--------------------|
| | <u>(\$433,694)</u> |
|--|--------------------|

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

| | |
|---------------------------|-------------------|
| | Trust & Agency |
| <u>ASSETS</u> | |
| Cash and Cash Equivalents | <u>\$129,366</u> |
| <u>TOTAL ASSETS</u> | <u>\$129,366</u> |
| <u>LIABILITIES</u> | |
| Due to Student Groups | <u>\$129,366</u> |
| <u>TOTAL LIABILITIES</u> | <u>\$129,366</u> |

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Genesee School District #6 conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Governmental Activities</u> <u>Estimated Lives</u> |
|----------------------------|--|
| Buildings and Improvements | 20 – 50 years |
| Furniture and Equipment | 5 – 10 years |
| Vehicles and Buses | 5 years |

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2005, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

For the year ended June 30, 2005, the athletic fund had a deficit fund balance.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2005, the District had no investments.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District did not have any investments as of June 30, 2005.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$1,496,366 of the District's bank balance of \$1,638,700 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk. The above amounts as previously report in Note 4:

| | |
|---|---------------------|
| Deposits – Including Fiduciary Funds of \$129,366 | \$ 1,467,122 |
| Investments | <u>0</u> |
| <u>TOTAL</u> | <u>\$ 1,467,122</u> |

The above amounts are reported in the financial statements as follows:

| | |
|-----------------------------|---------------------|
| Cash Agency Fund | \$ 129,366 |
| Cash – District Wide | 1,337,756 |
| Investments – District Wide | <u>0</u> |
| <u>TOTAL</u> | <u>\$ 1,467,122</u> |

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2005, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

| | |
|--------------------------------|---------------------|
| <u>GOVERNMENTAL ACTIVITIES</u> | <u>AMOUNT</u> |
| State Aid | <u>\$ 1,207,617</u> |

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2005 the School District had estimated claims payable of \$316 in conjunction with the program.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

8) SHORT-TERM DEBT

The District borrowed \$1,000,000 at 1.92% per annum on September 1, 2004, from Citizens Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The balance as of June 30, 2005 was \$1,000,000. The note matures August 31, 2005.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

| | BALANCE JULY 1, 2004 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30, 2005 |
|--------------------------------|-------------------------|--------------------|------------|--------------------------|
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | |
| Buildings and Improvements | \$12,929,734 | \$0 | \$0 | \$12,929,734 |
| Land Improvements | 1,723,403 | 0 | 0 | 1,723,403 |
| Equipment and Furniture | 309,723 | 13,805 | 0 | 323,528 |
| Vehicles | 501,129 | 0 | 0 | 501,129 |
| Totals at Historical Cost | \$15,463,989 | \$13,805 | \$0 | \$15,477,794 |
| Less: Accumulated Depreciation | | | | |
| Buildings and Improvements | (4,479,760) | (191,119) | 0 | (4,670,879) |
| Land Improvements | (982,163) | (61,680) | 0 | (1,043,843) |
| Equipment and Furniture | (207,377) | (41,765) | 0 | (249,142) |
| Vehicles | (354,470) | (21,431) | 0 | (375,901) |
| Total Accumulated Depreciation | (\$6,023,770) | (\$315,995) | \$0 | (\$6,339,765) |
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | |
| <u>CAPITAL ASSETS - NET</u> | <u>\$9,440,219</u> | <u>(\$302,190)</u> | <u>\$0</u> | <u>\$9,138,029</u> |

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

| | |
|-----------------------------------|-------------------|
| Instruction | \$ 6,254 |
| Support Services | 56,520 |
| Food Service | 422 |
| Athletics | 9,881 |
| Unallocated | 242,918 |
| <u>TOTAL DEPRECIATION EXPENSE</u> | <u>\$ 315,995</u> |

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2005 were \$51,049 and the School District received a dividend refund of \$4,104.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

11) GENERAL LONG-TERM DEBT

A) 2000 School Building and Site and Refunding Bonds

On March 1, 2000, the District issued \$7,015,000.00 in general obligation bonds with coupon interest rates of 4.50% to 6.00%.

On October 24, 2001, the District issued 2001 Refunding Bonds and advanced refunded \$5,295,000.00 of these bonds. The balance at June 30, 2005 was \$680,000.

B) Prior Period Defeasance

On October 24, 2001, the District defeased certain obligation bonds by placing the proceeds of the new general obligation bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's government-wide financial statements. On June 30, 2005, \$5,295,000 of bonds outstanding are considered defeased.

C) 2004 Refunding Bonds

On March 25, 2004, Genesee School District #6 issued \$1,370,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 2.00% to 3.80%. The District issued the bonds to advance refund the outstanding 1993 Bond Issue with a interest rate ranging from 4.10% to 5.75%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all future debt service on the 1993 Bond Issue. As a result, the 1993 Bond Issue is considered defeased and the District has removed the liability from its accounts. The outstanding principal of the bonds is \$1,260,000 at June 30, 2005.

D) General Obligation Bonds Payable

Genesee School District #6 has issued general obligation bonds for the purpose of defraying the cost of various additions and improvements as follows:

| <u>DATE ISSUED</u> | <u>ISSUE AMOUNT</u> | <u>BONDS OUTSTANDING</u> | <u>INTEREST RATE</u> |
|--------------------|-------------------------|------------------------------|--------------------------|
| March 1, 2000 | \$ 7,015,000 | \$ 680,000 | 4.75% to 5.30% |
| October 24, 2001 | 5,805,000 | 5,730,000 | 2.30% to 5.00% |
| March 25, 2004 | 1,370,000 | 1,260,000 | 2.00% to 3.80% |

E) Durant Resolution Package Bonds

Genesee School District #6 issued Durant Resolution Bonds on November 24, 1998 in the amount of \$115,903.00 at the interest rate of 4.761353%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2005 was \$74,047. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

F) Contracts & Notes Payable

Genesee School District #6 is indebted to Bank One on a bus note payable in the amount of \$133,228.00. The note require annual principal payments of \$24,879.07 including interest at 3.3494% per annum and matures April 15, 2009. The balance as of June 30, 2005 was \$91,711.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

11) GENERAL LONG-TERM DEBT (Continued)

G) Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 1987 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 1987 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. The balance payable at June 30, 2005 was \$2,756,170.

H) The annual principal requirements for all debts outstanding as of June 30, 2005 are as follows:

| | Bus Note & Contracts Payable | Bonds Payable | Michigan School Bond Loan Fund | Interest | Total |
|--------------------|------------------------------------|--------------------|--------------------------------------|--------------------|---------------------|
| June 30, 2006 | \$21,807 | \$260,610 | \$0 | \$350,668 | \$633,085 |
| June 30, 2007 | 22,538 | 265,876 | 0 | 340,636 | 629,050 |
| June 30, 2008 | 23,293 | 287,090 | 0 | 339,293 | 649,676 |
| June 30, 2009 | 24,073 | 281,450 | 0 | 318,699 | 624,222 |
| June 30, 2010 | 0 | 286,757 | 0 | 306,350 | 593,107 |
| June 30, 2011-2015 | 0 | 1,567,263 | 0 | 1,356,093 | 2,923,356 |
| June 30, 2016-2020 | 0 | 1,515,000 | 0 | 1,023,159 | 2,538,159 |
| June 30, 2021-2025 | 0 | 1,640,000 | 0 | 663,954 | 2,303,954 |
| June 30, 2026-2029 | 0 | 1,640,000 | 0 | 210,000 | 1,850,000 |
| Thereafter | 0 | 0 | 2,756,170 | 0 | 2,756,170 |
| <u>TOTAL</u> | <u>\$91,711</u> | <u>\$7,744,046</u> | <u>\$2,756,170</u> | <u>\$4,908,852</u> | <u>\$15,500,779</u> |

The payment dates of sick days payable are undeterminable. There is no scheduled repayment dates for the Michigan School Bond Loan Payable. The interest expenditures on long-term obligations for the year were \$366,314.

I) Changes in General Long-Term Debt

| | BALANCE | | | BALANCE | AMOUNT DUE |
|--------------------------------------|---------------------|------------------|-------------------|----------------------|--------------------|
| <u>Governmental Activities:</u> | <u>JULY 1, 2004</u> | <u>ADDITIONS</u> | <u>DEDUCTIONS</u> | <u>JUNE 30, 2005</u> | <u>IN ONE YEAR</u> |
| Bus Note & Contracts Payable | \$112,811 | \$0 | \$21,100 | \$91,711 | \$21,807 |
| Bonds Payable | 8,094,046 | 0 | 350,000 | 7,744,046 | 260,610 |
| MI School Bond Loan Fund | 2,544,170 | 212,000 | 0 | 2,756,170 | 0 |
| Vacation & Sick Days Payable | 64,379 | 3,206 | 0 | 67,585 | 0 |
| <u>Total Governmental Activities</u> | <u>\$10,815,406</u> | <u>\$215,206</u> | <u>\$371,100</u> | <u>\$10,659,512</u> | <u>\$282,417</u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

12) INTERFUND ACTIVITY

Interfund balances at June 30, 2005 consisted of the following:

| DUE TO | DUE FROM | | |
|-----------------|-----------------|--------------------|-----------------|
| | General Fund | Debt | |
| | | Retirement Fund | TOTAL |
| | | | |
| Special Revenue | \$19,953 | \$0 | \$19,953 |
| General Fund | 0 | 11,788 | 11,788 |
| <u>TOTAL</u> | <u>\$19,953</u> | <u>\$11,788</u> | <u>\$31,741</u> |

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

13) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

| TRANSFERS TO | TRANSFERS FROM |
|----------------|------------------|
| | GENERAL FUND |
| Athletics Fund | \$205,000 |
| Food Service | 2,200 |
| <u>TOTAL</u> | <u>\$207,200</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

14) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

14) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2004 through September 30, 2004 and 14.87 percent for the period October 1, 2004 through June 30, 2005 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2005, 2004 and 2003 were \$666,213, \$638,575 and \$606,228, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are Title I and the Special Education Cluster grants. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2005, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

REQUIRED
SUPPLEMENTARY
INFORMATION

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

| | Budgeted Amounts | | | Variance With |
|---------------------------------------|------------------|-------------|-------------|---------------|
| | Original | Final | Actual | Final Budget |
| <u>REVENUES</u> | | | | |
| Local Sources | \$324,282 | \$380,853 | \$393,903 | \$13,050 |
| State Sources | 6,718,191 | 6,637,554 | 6,642,275 | 4,721 |
| Federal Sources | 524,725 | 476,466 | 483,941 | 7,475 |
| Total Revenues | \$7,567,198 | \$7,494,873 | \$7,520,119 | \$25,246 |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| Instruction | 5,259,689 | 5,259,110 | 5,239,148 | 19,962 |
| Student Services | 286,169 | 303,011 | 295,782 | 7,229 |
| Instructional Support | 178,476 | 186,035 | 179,348 | 6,687 |
| General Administration | 331,872 | 319,657 | 309,792 | 9,865 |
| School Administration | 548,112 | 532,597 | 525,629 | 6,968 |
| Business Administration | 51,000 | 50,967 | 50,797 | 170 |
| Operation & Maintenance of Plant | 655,611 | 712,460 | 699,937 | 12,523 |
| Transportation | 189,027 | 211,069 | 219,306 | (8,237) |
| Support Services - Other | 85,257 | 81,075 | 80,978 | 97 |
| Community Services | 15,266 | 31,605 | 31,803 | (198) |
| Total Expenditures | \$7,600,479 | \$7,687,586 | \$7,632,520 | \$55,066 |
| Excess of Revenues Over Expenditures | (\$33,281) | (\$192,713) | (\$112,401) | \$80,312 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Net Change in Fund Balance | (112,101) | (106,775) | (128,849) | (22,074) |
| | (\$145,382) | (\$299,488) | (\$241,250) | \$58,238 |
| <u>FUND BALANCE - BEGINNING</u> | | | 1,045,640 | |
| <u>FUND BALANCE - ENDING</u> | | | \$804,390 | |

OTHER SUPPLEMENTAL
INFORMATION

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2005

| | School Service Fund | Debt Service Fund | Total Other Governmental Funds |
|--|---------------------------|-------------------------|---|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$55,934 | \$42,334 | \$98,268 |
| Due from Other Funds | 0 | 11,788 | 11,788 |
| Inventory | 3,831 | 0 | 3,831 |
| <u>TOTAL ASSETS</u> | <u>\$59,765</u> | <u>\$54,122</u> | <u>\$113,887</u> |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$26,879 | \$0 | \$26,879 |
| Due to Other Funds | 19,953 | 0 | 19,953 |
| Total Liabilities | \$46,832 | \$0 | \$46,832 |
| <u>FUND BALANCES</u> | | | |
| Reserved For: | | | |
| Inventory | 3,831 | 0 | 3,831 |
| Debt Retirement | 0 | 54,122 | 54,122 |
| Unreserved: | | | |
| Undesignated, Reported In: | | | |
| School Service Fund | 9,102 | 0 | 9,102 |
| Total Fund Balances | \$12,933 | \$54,122 | \$67,055 |
| <u>TOTAL LIABILITIES AND FUND BALANCES</u> | <u>\$59,765</u> | <u>\$54,122</u> | <u>\$113,887</u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

| | School Service Fund | Debt Service Fund | Total Other Governmental Funds |
|--|---------------------------|-------------------------|---|
| <u>REVENUES</u> | | | |
| Local Sources | \$117,165 | \$469,837 | \$587,002 |
| State Sources | 14,454 | 0 | 14,454 |
| Federal Sources | 219,827 | 0 | 219,827 |
| Total Revenues | <u>\$351,446</u> | <u>\$469,837</u> | <u>\$821,283</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | <u>207,200</u> | <u>212,000</u> | <u>419,200</u> |
| Total Revenues & Other Financing Sources | <u>\$558,646</u> | <u>\$681,837</u> | <u>\$1,240,483</u> |
| <u>EXPENDITURES</u> | | | |
| Food Service | 574,948 | 0 | 574,948 |
| Debt Service | 0 | 713,944 | 713,944 |
| Total Expenditures | <u>\$574,948</u> | <u>\$713,944</u> | <u>\$1,288,892</u> |
| Net Change in Fund Balance | (\$16,302) | (\$32,107) | (\$48,409) |
| <u>NET ASSETS - BEGINNING</u> | <u>29,235</u> | <u>86,229</u> | <u>115,464</u> |
| <u>NET ASSETS - ENDING</u> | <u>\$12,933</u> | <u>\$54,122</u> | <u>\$67,055</u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SCHOOL SERVICE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

| | <u>FOOD SERVICES</u> | <u>ATHLETIC ACTIVITIES</u> | <u>TOTALS</u> |
|--|--------------------------|--------------------------------|-----------------|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$55,934 | \$0 | \$55,934 |
| Inventory | <u>3,831</u> | <u>0</u> | <u>3,831</u> |
| <u>TOTAL ASSETS</u> | <u>\$59,765</u> | <u>\$0</u> | <u>\$59,765</u> |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$0 | \$26,879 | \$26,879 |
| Due from Other Funds | <u>17,319</u> | <u>2,634</u> | <u>19,953</u> |
| Total Liabilities | \$17,319 | \$29,513 | \$46,832 |
| <u>FUND EQUITY</u> | | | |
| Reserved for Inventory | 3,831 | 0 | 3,831 |
| Unreserved and Undesignated | <u>38,615</u> | <u>(29,513)</u> | <u>9,102</u> |
| Total Fund Equity | <u>\$42,446</u> | <u>(\$29,513)</u> | <u>\$12,933</u> |
| <u>TOTAL LIABILITIES AND FUND EQUITY</u> | <u>\$59,765</u> | <u>\$0</u> | <u>\$59,765</u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SCHOOL SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

| | <u>FOOD SERVICES</u> | <u>ATHLETIC ACTIVITIES</u> | <u>TOTALS</u> |
|---|--------------------------|--------------------------------|-------------------|
| <u>REVENUES</u> | | | |
| <u>Local Sources</u> | | | |
| Cafeteria Sales | \$73,151 | \$0 | \$73,151 |
| Athletic Activities | 0 | 23,591 | 23,591 |
| Earnings on Investments and Deposits | 160 | 0 | 160 |
| Other Local Sources | 0 | 20,263 | 20,263 |
| Total Local Sources | <u>\$73,311</u> | <u>\$43,854</u> | <u>\$117,165</u> |
| <u>State Sources</u> | | | |
| State Reimbursements | 14,454 | 0 | 14,454 |
| <u>Federal Sources</u> | | | |
| Headstart | 16,269 | 0 | 16,269 |
| Federal Reimbursements | 12,749 | 0 | 12,749 |
| Commodities | 190,809 | 0 | 190,809 |
| Total Federal Sources | <u>\$219,827</u> | <u>\$0</u> | <u>\$219,827</u> |
| Total Revenues | <u>\$307,592</u> | <u>\$43,854</u> | <u>\$351,446</u> |
| <u>OTHER FINANCING SOURCES</u> | | | |
| Transfers from General Fund | 2,200 | 205,000 | 207,200 |
| Total Revenues and Other Financing Sources | <u>\$309,792</u> | <u>\$248,854</u> | <u>\$558,646</u> |
| <u>EXPENDITURES</u> | | | |
| Salaries - Professional | 30,216 | 25,876 | 56,092 |
| Salaries - Non-Professional | 95,337 | 77,813 | 173,150 |
| Insurances | 10,539 | 7,683 | 18,222 |
| Fica, Retirement, Etc. | 29,351 | 21,790 | 51,141 |
| Other Benefits | 1,200 | 0 | 1,200 |
| Purchased Services | 10,994 | 50,701 | 61,695 |
| Supplies and Materials | 134,043 | 33,718 | 167,761 |
| Capital Outlay | 0 | 32,002 | 32,002 |
| Other | 3,171 | 10,514 | 13,685 |
| Total Expenditures | <u>\$314,851</u> | <u>\$260,097</u> | <u>\$574,948</u> |
| <u>EXCESS REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES</u> | <u>(\$5,059)</u> | <u>(\$11,243)</u> | <u>(\$16,302)</u> |
| <u>FUND BALANCE - BEGINNING OF YEAR</u> | <u>\$47,505</u> | <u>(\$18,270)</u> | <u>\$29,235</u> |
| <u>FUND BALANCE - END OF YEAR</u> | <u>\$42,446</u> | <u>(\$29,513)</u> | <u>\$12,933</u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
DEBT RETIREMENT FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

| | <u>BOND ISSUE DATE</u> | | <u>TOTALS</u> |
|------------------------------|------------------------|------------------------|-----------------|
| | <u>1993 & 2004</u> | <u>2000 & 2001</u> | |
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$28,415 | \$13,919 | \$42,334 |
| Due from Other Funds | 4,944 | 6,844 | 11,788 |
| <u>TOTAL ASSETS</u> | <u>\$33,359</u> | <u>\$20,763</u> | <u>\$54,122</u> |
| <u>FUND EQUITY</u> | | | |
| Reserved for Debt Retirement | <u>\$33,359</u> | <u>\$20,763</u> | <u>\$54,122</u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
DEBT RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

| | <u>BOND ISSUE DATE</u> | | <u>TOTAL AFTER INTRA-FUND ELIMINATIONS</u> |
|---|------------------------|------------------------|--|
| | <u>1993 & 2004</u> | <u>2000 & 2001</u> | |
| <u>REVENUES</u> | | | |
| <u>Local Sources</u> | | | |
| Property Tax Levy | \$141,285 | \$325,714 | \$466,999 |
| Earnings on Investments and Deposits | 1,087 | 1,630 | 2,717 |
| Other Local Sources | 40 | 81 | 121 |
| Total Local Sources | <u>\$142,412</u> | <u>\$327,425</u> | <u>\$469,837</u> |
| <u>OTHER FINANCING SOURCES</u> | | | |
| Transfers from Other Debt Funds | 0 | 148,000 | 0 |
| School Bond Loan Proceeds | 135,000 | 77,000 | 212,000 |
| Total Financing Sources | <u>\$135,000</u> | <u>\$225,000</u> | <u>\$212,000</u> |
| Total Revenues and Other Financing Sources | <u>\$277,412</u> | <u>\$552,425</u> | <u>\$681,837</u> |
| <u>EXPENDITURES</u> | | | |
| Redemption of Bonds | 110,000 | 240,000 | 350,000 |
| Interest on Bonded Debt | 42,911 | 319,625 | 362,536 |
| Other Debt Retirement Expense | 503 | 905 | 1,408 |
| Total Expenditures | <u>\$153,414</u> | <u>\$560,530</u> | <u>\$713,944</u> |
| <u>OTHER FINANCING USES</u> | | | |
| Transfers to Other Debt Funds | 148,000 | 0 | 0 |
| Total Expenditures and Other Financing Uses | <u>\$301,414</u> | <u>\$560,530</u> | <u>\$713,944</u> |
| <u>EXCESS REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND FINANCING SOURCES</u> | <u>(\$24,002)</u> | <u>(\$8,105)</u> | <u>(\$32,107)</u> |
| <u>FUND BALANCE - BEGINNING OF YEAR</u> | <u>\$57,361</u> | <u>\$28,868</u> | <u>\$86,229</u> |
| <u>FUND BALANCE - END OF YEAR</u> | <u>\$33,359</u> | <u>\$20,763</u> | <u>\$54,122</u> |

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

| | |
|---|---------------------------|
| <u>Local Sources</u> | |
| Property Tax Levy | \$272,887 |
| Earnings on Investments and Deposits | 19,409 |
| Tuition | 12,830 |
| Medicaid | 22,654 |
| SKIP Program | 719 |
| Other Local Revenues | 65,404 |
| Total Revenues from Local Sources | <u>\$393,903</u> |
| <u>State Sources</u> | |
| Unrestricted State Aid - Membership | 6,070,936 |
| Restricted | |
| At Risk | 259,490 |
| Durant | 11,590 |
| Special Education | 237,724 |
| Michigan School Readiness | 59,400 |
| Advanced/Accelerated Learning | 135 |
| E S L Grant | 3,000 |
| Total Revenues from State Sources | <u>\$6,642,275</u> |
| <u>Federal Sources</u> | |
| Title I | 173,437 |
| Title V | 3,680 |
| Headstart | 12,000 |
| Improving Teacher Quality | 40,645 |
| IDEA Flowthrough | 220,087 |
| CDC Grant/CSHP Tech Assist Grant | 1,000 |
| Preschool Incentive | 3,561 |
| Transition Grant | 1,204 |
| PEP-C.M. Physical Education Grant | 937 |
| Emergency Response Grant | 5,000 |
| Tech Literacy Grant | 2,939 |
| Safe & Drug Free Learning | 11,155 |
| Medicaid | 8,246 |
| WIA Year Round Youth | 50 |
| Total Revenues from Federal Sources | <u>\$483,941</u> |
| Total Revenues | <u>\$7,520,119</u> |
| <u>OTHER FINANCING SOURCES</u> | |
| Act 18 Receipts | 98,764 |
| Refund - Prior Year Expenses | 1,048 |
| Total Other Financing Sources | <u>\$99,812</u> |
| <u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u> | <u><u>\$7,619,931</u></u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

INSTRUCTIONBASIC PROGRAMSElementary

| | |
|-----------------------------|--------------------|
| Salaries - Professional | \$1,164,773 |
| Salaries - Non-Professional | 83,474 |
| Insurances | 264,632 |
| Fica, Retirement, Etc. | 282,374 |
| Other Benefits | 78,300 |
| Purchased Services | 28,384 |
| Supplies and Materials | 29,350 |
| Other | 2,110 |
| Total Elementary | <u>\$1,933,397</u> |

High School

| | |
|-----------------------------|--------------------|
| Salaries - Professional | 1,200,265 |
| Salaries - Non-Professional | 43,492 |
| Insurances | 258,938 |
| Fica, Retirement, Etc. | 278,463 |
| Other Benefits | 83,100 |
| Purchased Services | 44,909 |
| Supplies and Materials | 47,451 |
| Other | 4,024 |
| Total High School | <u>\$1,960,642</u> |

Preschool

| | |
|-----------------------------|-----------------|
| Salaries - Professional | 34,250 |
| Salaries - Non-Professional | 5,470 |
| Insurances | 8,108 |
| Fica, Retirement, Etc. | 8,892 |
| Purchased Services | 850 |
| Supplies and Materials | 1,071 |
| Total Preschool | <u>\$58,641</u> |

Total Basic Programs

\$3,952,680

ADDED NEEDSSpecial Education

| | |
|-----------------------------|------------------|
| Salaries - Professional | 403,773 |
| Salaries - Non-Professional | 155,008 |
| Insurances | 88,757 |
| Fica, Retirement, Etc. | 126,195 |
| Other Benefits | 24,280 |
| Purchased Services | 35,322 |
| Supplies and Materials | 18,447 |
| Total Special Education | <u>\$851,782</u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

| | |
|--------------------------------|--------------------|
| <u>INSTRUCTION (Continued)</u> | |
| <u>ADDED NEEDS (Continued)</u> | |
| <u>Compensatory Education</u> | |
| Salaries - Professional | \$97,805 |
| Salaries - Non-Professional | 185,973 |
| Insurances | 36,270 |
| Fica, Retirement, Etc. | 68,916 |
| Other Benefits | 18,000 |
| Purchased Services | 5,157 |
| Supplies and Materials | 22,565 |
| Total Compensatory Education | <u>\$434,686</u> |
| Total Added Needs | <u>1,286,468</u> |
| <u>Total Instruction</u> | <u>\$5,239,148</u> |
| <u>SUPPORT SERVICES</u> | |
| <u>Student Services</u> | |
| Salaries - Professional | 156,688 |
| Salaries - Non-Professional | 7,193 |
| Insurances | 41,941 |
| Fica, Retirement, Etc. | 36,003 |
| Other Benefits | 18,000 |
| Purchased Services | 9,899 |
| Supplies and Materials | 26,058 |
| Total Student Services | <u>\$295,782</u> |
| <u>Instructional Staff</u> | |
| Salaries - Professional | 96,578 |
| Salaries - Non-Professional | 17,648 |
| Insurances | 23,931 |
| Fica, Retirement, Etc. | 19,726 |
| Purchased Services | 12,320 |
| Supplies and Materials | 8,845 |
| Other | 300 |
| Total Instructional Staff | <u>\$179,348</u> |
| <u>General Administration</u> | |
| Salaries - Professional | 109,119 |
| Salaries - Non-Professional | 74,214 |
| Insurances | 29,094 |
| Fica, Retirement, Etc. | 36,840 |
| Other Benefits | 2,311 |
| Purchased Services | 40,263 |
| Supplies and Materials | 6,494 |
| Other | 11,457 |
| Total General Administration | <u>\$309,792</u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

SUPPORT SERVICES (Continued)

School Administration

| | |
|-----------------------------|------------------|
| Salaries - Professional | \$233,888 |
| Salaries - Non-Professional | 113,897 |
| Insurances | 85,620 |
| Fica, Retirement, Etc. | 74,122 |
| Purchased Services | 7,387 |
| Supplies and Materials | 8,874 |
| Other | 1,841 |
| Total School Administration | <u>\$525,629</u> |

Business Administration

| | |
|-------------------------------|-----------------|
| Purchased Services | 33,230 |
| Other | 17,567 |
| Total Business Administration | <u>\$50,797</u> |

Operation and Maintenance of Plant

| | |
|--|------------------|
| Salaries - Non-Professional | 201,608 |
| Insurances | 86,889 |
| Fica, Retirement, Etc. | 47,214 |
| Other Benefits | 2,125 |
| Purchased Services | 205,550 |
| Supplies and Materials | 141,958 |
| Capital Outlay | 13,805 |
| Other | 788 |
| Total Operation and Maintenance of Plant | <u>\$699,937</u> |

Pupil Transportation

| | |
|-----------------------------|------------------|
| Salaries - Professional | 8,073 |
| Salaries - Non-Professional | 94,317 |
| Insurances | 10,624 |
| Fica, Retirement, Etc. | 23,022 |
| Other Benefits | 882 |
| Purchased Services | 55,115 |
| Supplies and Materials | 23,300 |
| Other | 3,973 |
| Total Pupil Transportation | <u>\$219,306</u> |

Other Support Services

| | |
|------------------------------|-----------------|
| Salaries - Professional | 40,000 |
| Salaries - Non-Professional | 2,308 |
| Insurances | 17,060 |
| Fica, Retirement, Etc. | 8,610 |
| Purchased Services | 1,169 |
| Supplies and Materials | 11,831 |
| Total Other Support Services | <u>\$80,978</u> |

| | |
|-------------------------------|--------------------|
| <u>Total Support Services</u> | <u>\$2,361,569</u> |
|-------------------------------|--------------------|

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

COMMUNITY SERVICES

| | |
|-----------------------------|-----------------|
| Salaries - Professional | \$9,053 |
| Salaries - Non-Professional | 7,275 |
| Fica, Retirement, Etc. | 3,435 |
| Supplies and Materials | 12,040 |
| Total Community Services | <u>\$31,803</u> |

Total Expenditures \$7,632,520

OTHER FINANCING USES

| | |
|----------------------------|------------------|
| Transfers to Other Funds | 207,200 |
| Other Transfers | 360 |
| Loan Payments | 21,101 |
| Total Other Financing Uses | <u>\$228,661</u> |

TOTAL EXPENDITURES AND OTHER
FINANCING USES

\$7,861,181

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

| STUDENT ACTIVITY | DUE TO (FROM) STUDENT GROUPS | RECEIPTS | DISBURSEMENTS | DUE TO (FROM) STUDENT GROUPS |
|--|---------------------------------|------------------|------------------|---------------------------------|
| | JULY 1, 2004 | | | JUNE 30, 2005 |
| Alumni Fund | \$83 | \$0 | \$0 | \$83 |
| Athletic Leadership Account | 197 | 551 | 190 | 558 |
| Band | 1,062 | 10,343 | 9,982 | 1,423 |
| Dorothy Baker Scholarship | 3,357 | 1,185 | 1,500 | 3,042 |
| Business Office Education Club (B.P.A.) | 344 | 0 | 0 | 344 |
| Cheerleaders | 8 | 1,022 | 224 | 806 |
| Chorus Account | 266 | 2,528 | 2,312 | 482 |
| Class of 2004 | 484 | 0 | 484 | 0 |
| Class of 2005 | 1,935 | 2,708 | 3,522 | 1,121 |
| Class of 2006 | 1,246 | 8,795 | 8,804 | 1,237 |
| Class of 2007 | 902 | 2,418 | 1,935 | 1,385 |
| Class of 2008 | 139 | 1,921 | 752 | 1,308 |
| Class of 2009 | 340 | 0 | 100 | 240 |
| Class of 2010 | 0 | 249 | 0 | 249 |
| Chris Amanda Cuneaz Scholarship | 66,468 | 15,306 | 14,000 | 67,774 |
| Drama Club | 394 | 6,699 | 4,916 | 2,177 |
| Field Trip - Elem | 523 | 13,159 | 12,936 | 746 |
| Field Trip - JH / HS | 0 | 171 | 171 | 0 |
| Flower Fund | 749 | 3,518 | 2,237 | 2,030 |
| Genesee Lions/ess Club | 1,040 | 1,000 | 1,000 | 1,040 |
| Genesee Playground Fund | 0 | 0 | 0 | 0 |
| Honor Society | 453 | 4,826 | 4,971 | 308 |
| Jack P. Haas Scholarship | 20,208 | 2,362 | 3,026 | 19,544 |
| Thomas Huggler Scholarship | 3,401 | 1,221 | 1,500 | 3,122 |
| Journalism Account | 426 | 0 | 57 | 369 |
| Library Fund - Elementary | 2,765 | 9,647 | 9,297 | 3,115 |
| Miscellaneous | 1,328 | 4,223 | 3,933 | 1,618 |
| POM Club | 3,138 | 5,699 | 7,175 | 1,662 |
| Marjorie Reid Scholarship | 1,591 | 20 | 500 | 1,111 |
| S.A.D.D. | 280 | 756 | 601 | 435 |
| School Store | 6 | 0 | 0 | 6 |
| Soft Drink Machine | 6,617 | 2,451 | 2,156 | 6,912 |
| Sophomore/Jr. Trip Fund | 1,199 | 21,719 | 22,722 | 196 |
| Spanish Club | 184 | 464 | 250 | 398 |
| Student Council | 394 | 13,429 | 13,566 | 257 |
| Summer Recreation | (3,159) | 11,170 | 8,054 | (43) |
| Track Fund | 3,348 | 868 | 2,927 | 1,289 |
| Washington Trip Fund | 1,511 | 42,143 | 42,302 | 1,352 |
| Yearbook 01-02 | 0 | 50 | 50 | 0 |
| Yearbook 02-03 | (512) | 513 | 0 | 0 |
| Yearbook 03-04 | (1,241) | 2,347 | 1,106 | 0 |
| Yearbook 04-05 | 0 | 6,688 | 5,018 | 1,670 |
| <u>TOTAL</u> | <u>\$121,474</u> | <u>\$202,169</u> | <u>\$194,276</u> | <u>\$129,366</u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2005

| 1998 DURANT | | | | |
|---------------------|-----------------------------|-------------|------------------------------|--------------------------|
| <u>Payment Date</u> | <u>Interest Requirement</u> | <u>Rate</u> | <u>Principal Requirement</u> | <u>Total Requirement</u> |
| 2005-2006 | \$2,529 | 4.761353% | \$5,610 | \$8,139 |
| 2006-2007 | 2,262 | 4.761353% | 5,876 | 8,138 |
| 2007-2008 | 11,319 | 4.761353% | 27,090 | 38,409 |
| 2008-2009 | 1,689 | 4.761353% | 6,450 | 8,139 |
| 2009-2010 | 1,382 | 4.761353% | 6,757 | 8,139 |
| 2010-2011 | 1,060 | 4.761353% | 7,079 | 8,139 |
| 2011-2012 | 723 | 4.761353% | 7,416 | 8,139 |
| 2012-2013 | 370 | 4.761353% | 7,769 | 8,139 |
| <u>TOTALS</u> | <u>\$21,334</u> | | <u>\$74,047</u> | <u>\$95,381</u> |

| 2000 SCHOOL BUILDING & SITE BONDS | | | | | |
|-----------------------------------|------------------------------|-------------|---------------------------------|---------------------------------|--------------------------|
| <u>Payment Date</u> | <u>Principal Requirement</u> | <u>Rate</u> | <u>May Interest Requirement</u> | <u>Nov Interest Requirement</u> | <u>Total Requirement</u> |
| 2005-2006 | \$120,000 | 5.05% | \$17,669 | \$17,669 | \$155,338 |
| 2006-2007 | 130,000 | 5.15% | 14,639 | 14,639 | 159,278 |
| 2007-2008 | 135,000 | 5.20% | 11,291 | 11,291 | 157,582 |
| 2008-2009 | 145,000 | 5.25% | 7,781 | 7,781 | 160,562 |
| 2009-2010 | 150,000 | 5.30% | 3,975 | 3,975 | 157,950 |
| <u>TOTALS</u> | <u>\$680,000</u> | | <u>\$55,355</u> | <u>\$55,355</u> | <u>\$790,710</u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2005

| 2001 REFUNDING BONDS | | | | | |
|----------------------|------------------------------|-------------|---------------------------------|---------------------------------|--------------------------|
| <u>Payment Date</u> | <u>Principal Requirement</u> | <u>Rate</u> | <u>May Interest Requirement</u> | <u>Nov Interest Requirement</u> | <u>Total Requirement</u> |
| 2005-2006 | \$25,000 | 3.10% | \$136,460 | \$136,460 | \$297,920 |
| 2006-2007 | 25,000 | 3.40% | 136,072 | 136,073 | 297,145 |
| 2007-2008 | 25,000 | 3.65% | 135,648 | 135,647 | 296,295 |
| 2008-2009 | 30,000 | 3.75% | 135,191 | 135,191 | 300,382 |
| 2009-2010 | 30,000 | 3.85% | 134,629 | 134,629 | 299,258 |
| 2010-2011 | 190,000 | 3.95% | 134,051 | 134,051 | 458,102 |
| 2011-2012 | 200,000 | 4.05% | 130,299 | 130,299 | 460,598 |
| 2012-2013 | 205,000 | 4.20% | 126,249 | 126,248 | 457,497 |
| 2013-2014 | 210,000 | 4.35% | 121,944 | 121,944 | 453,888 |
| 2014-2015 | 220,000 | 4.45% | 117,376 | 117,376 | 454,752 |
| 2015-2016 | 235,000 | 4.55% | 112,481 | 112,481 | 459,962 |
| 2016-2017 | 245,000 | 4.65% | 107,135 | 107,135 | 459,270 |
| 2017-2018 | 255,000 | 4.75% | 101,439 | 101,439 | 457,878 |
| 2018-2019 | 270,000 | 4.85% | 95,383 | 95,382 | 460,765 |
| 2019-2020 | 285,000 | 4.90% | 88,835 | 88,835 | 462,670 |
| 2020-2021 | 295,000 | 4.90% | 81,852 | 81,853 | 458,705 |
| 2021-2022 | 310,000 | 5.00% | 74,625 | 74,625 | 459,250 |
| 2022-2023 | 330,000 | 5.00% | 66,875 | 66,875 | 463,750 |
| 2023-2024 | 345,000 | 5.00% | 58,625 | 58,625 | 462,250 |
| 2024-2025 | 360,000 | 5.00% | 50,000 | 50,000 | 460,000 |
| 2025-2026 | 380,000 | 5.00% | 41,000 | 41,000 | 462,000 |
| 2026-2027 | 400,000 | 5.00% | 31,500 | 31,500 | 463,000 |
| 2027-2028 | 420,000 | 5.00% | 21,500 | 21,500 | 463,000 |
| 2028-2029 | 440,000 | 5.00% | 11,000 | 11,000 | 462,000 |
| <u>TOTALS</u> | <u>\$5,730,000</u> | | <u>\$2,250,169</u> | <u>\$2,250,168</u> | <u>\$10,230,337</u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2005

| 2004 REFUNDING BONDS | | | | | |
|----------------------|------------------------------|-------------|---------------------------------|---------------------------------|--------------------------|
| <u>Payment Date</u> | <u>Principal Requirement</u> | <u>Rate</u> | <u>May Interest Requirement</u> | <u>Nov Interest Requirement</u> | <u>Total Requirement</u> |
| 2005-2006 | \$110,000 | 2.00% | \$18,405 | \$18,405 | \$146,810 |
| 2006-2007 | 105,000 | 2.00% | 17,305 | 17,305 | 139,610 |
| 2007-2008 | 100,000 | 2.25% | 16,255 | 16,255 | 132,510 |
| 2008-2009 | 100,000 | 2.50% | 15,130 | 15,130 | 130,260 |
| 2009-2010 | 100,000 | 2.60% | 13,880 | 13,880 | 127,760 |
| 2010-2011 | 100,000 | 2.80% | 12,580 | 12,580 | 125,160 |
| 2011-2012 | 110,000 | 3.00% | 11,180 | 11,180 | 132,360 |
| 2012-2013 | 110,000 | 3.25% | 9,530 | 9,530 | 129,060 |
| 2013-2014 | 100,000 | 3.45% | 7,743 | 7,743 | 115,486 |
| 2014-2015 | 100,000 | 3.60% | 6,018 | 6,018 | 112,036 |
| 2015-2016 | 115,000 | 3.70% | 4,218 | 4,218 | 123,436 |
| 2016-2017 | 110,000 | 3.80% | 2,089 | 2,089 | 114,178 |
| <u>TOTALS</u> | <u>\$1,260,000</u> | | <u>\$134,333</u> | <u>\$134,333</u> | <u>\$1,528,666</u> |

GENESEE SCHOOL DISTRICT #6

GENESEE, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 10, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Genesee School District #6

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6, as of and for the year ended June 30, 2005, which collectively comprise the Genesee School District #6's financial statements and have issued our report thereon dated August 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Genesee School District #6's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Genesee School District #6's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Genesee School District #6, in a separate letter dated August 10, 2005.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 10, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Genesee School District #6

Compliance

We have audited the compliance of Genesee School District #6 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Genesee School District #6's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Genesee School District #6's management. Our responsibility is to express an opinion on Genesee School District #6's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Genesee School District #6's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Genesee School District #6's compliance with those requirements.

In our opinion, Genesee School District #6 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2005-1.

Internal Control Over Compliance

The management of Genesee School District #6 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Genesee School District #6's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Genesee School District #6

Page 2

August 10, 2005

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 10, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Genesee School District #6's, basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis - Knopf P.C.
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS- THROUGH PROJECT NUMBER | APPROVED GRANT AWARD AMOUNT |
|---|---------------------------|---------------------------------------|--------------------------------------|
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| Passed Through Michigan Department of Education: | | | |
| Title I Grants to Local Education Agencies | 84.010 | | |
| ESEA Title I - Regular (03-04) | | 41530-0405 | \$10,913 |
| ESEA Title I - Regular (03-04) | | 41530-0304 | 180,024 |
| ESEA Title I - Regular (04-05) | | 51530-0405 | 161,480 |
| Total Title I Grants to Local Education Agencies | | | <u>\$352,417</u> |
| Innovative Education Program Strategies | 84.298 | | |
| ESEA Title VI Regular (04-05) | | 50250-0405 | 3,680 |
| Technology Literacy Challenge Grant | 84.318 | | |
| Technology Literacy Challenge Grant (04-05) | | 44290-0405 | 2,939 |
| Improving Teacher Quality | 84.367 | | |
| Improving Teacher Quality (04-05) | | 50520-0405 | 44,102 |
| Total Passed Through Michigan Department of Education | | | <u>\$403,138</u> |
| Passed Through Genesee Intermediate School District: | | | |
| Special Education - Grants to States | 84.027 | | |
| IDEA Flow Through (04-05) | | 50450-0405 | 220,087 |
| IDEA Flow Through (03-04) | | 40450-0304 | 218,361 |
| Transition Services (04-05) | | 50490-TS | 1,030 |
| Transition Services (03-04) | | 40490-TS | 919 |
| Total Special Education Grants to States | | | <u>\$440,397</u> |
| Special Education - Preschool Grants | 84.173 | | |
| IDEA Preschool Incentive (04-05) | | 50460-0405 | 3,561 |
| IDEA Preschool Incentive (03-04) | | 40460-0304 | 5,990 |
| Total Special Education - Preschool Grants | | | <u>\$9,551</u> |
| Safe and Drug Free Learning | 84.184L | S18LO20281-3 | 11,155 |
| PEP-C.M. White Physical Fitness (04-05) | 84.215F | Q215F031137 | 937 |
| Emergency Response Plans (03-04) | 87.184E | Q184EO30509 | 5,000 |
| Total Passed Through Genesee Intermediate School District | | | <u>\$467,040</u> |
| <u>TOTAL U.S. DEPARTMENT OF EDUCATION</u> | | | <u>\$870,178</u> |

| ACCRUED (DEFERRED) REVENUE JULY 1, 2004 | PRIOR YEAR EXPENDITURES | CURRENT YEAR CASH EXPENDITURES | ADJUSTMENTS PRIOR YEARS | CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED | ACCRUED (DEFERRED) REVENUE JUNE 30, 2005 |
|--|-------------------------------|--------------------------------------|----------------------------|---|---|
| \$0 | \$0 | \$10,913 | \$0 | \$10,913 | \$0 |
| (1,044) | 168,755 | 1,044 | 0 | 0 | 0 |
| 0 | 0 | 161,480 | 0 | 161,480 | 0 |
| <u>(1,044)</u> | <u>\$168,755</u> | <u>\$173,437</u> | <u>\$0</u> | <u>\$172,393</u> | <u>\$0</u> |
| 0 | 0 | 3,680 | 0 | 3,680 | 0 |
| 0 | 0 | 2,939 | 0 | 2,939 | 0 |
| 0 | 0 | 40,645 | 0 | 40,645 | 0 |
| <u>(1,044)</u> | <u>\$168,755</u> | <u>\$220,701</u> | <u>\$0</u> | <u>\$219,657</u> | <u>\$0</u> |
| 0 | 0 | 220,087 | 0 | 220,087 | 0 |
| 121,132 | 218,361 | 0 | 0 | 121,132 | 0 |
| 0 | 0 | 1,030 | 0 | 1,030 | 0 |
| (174) | 745 | 174 | 0 | 0 | 0 |
| <u>\$120,958</u> | <u>\$219,106</u> | <u>\$221,291</u> | <u>\$0</u> | <u>\$342,249</u> | <u>\$0</u> |
| 0 | 0 | 3,561 | 0 | 3,561 | 0 |
| 5,990 | 5,990 | 0 | 0 | 5,990 | 0 |
| <u>\$5,990</u> | <u>\$5,990</u> | <u>\$3,561</u> | <u>\$0</u> | <u>\$9,551</u> | <u>\$0</u> |
| 0 | 0 | 11,155 | 0 | 11,155 | 0 |
| 0 | 0 | 937 | 0 | 937 | 0 |
| 0 | 0 | 5,000 | 0 | 5,000 | 0 |
| <u>\$126,948</u> | <u>\$225,096</u> | <u>\$241,944</u> | <u>\$0</u> | <u>\$368,892</u> | <u>\$0</u> |
| \$125,904 | \$393,851 | \$462,645 | \$0 | \$588,549 | \$0 |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS- THROUGH PROJECT NUMBER | APPROVED GRANT AWARD AMOUNT |
|---|---------------------------|---------------------------------------|--------------------------------------|
| <u>US DEPARTMENT OF AGRICULTURE</u> | | | |
| Passed Through Michigan Department of Education: | | | |
| Food Distribution | 10.550 | | |
| Entitlement Commodities | | N/A | \$11,050 |
| Bonus Commodities | | N/A | 1,699 |
| Total Food Distribution | | | <u>\$12,749</u> |
| National School Breakfast Program | 10.553 | N/A | 55,226 |
| National School Lunch Program | 10.555 | N/A | 134,106 |
| Special Milk Program for Children | 10.556 | N/A | <u>1,477</u> |
| <u>TOTAL US DEPARTMENT OF AGRICULTURE</u> | | | <u>\$203,558</u> |
| <u>U.S. DEPARTMENT OF LABOR</u> | | | |
| Passed Through Genesee Intermediate School District: | | | |
| WIA Title I Year Round Youth Services (04-05) | 17.259 | 007-K-04 | 50 |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | |
| Passed Through Michigan Department of Education: | | | |
| CDC Grant/CSHP Tech Assist Grant | 93.938 | | |
| School Health Teams | | 34400SHI0305 | 1,000 |
| Passed Through Genesee County Community Action Resource Dept. | | | |
| Head Start | 93.600 | N/A | 28,269 |
| Passed Through Genesee Intermediate School District | | | |
| Medical Assistance Program Title XIX | 93.778 | | |
| Medicaid Outreach Claims | | N/A | <u>8,246</u> |
| <u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | <u>\$37,515</u> |
| <u>TOTAL FEDERAL AWARDS</u> | | | <u><u>\$1,111,301</u></u> |

| ACCRUED (DEFERRED) REVENUE JULY 1, 2004 | PRIOR YEAR EXPENDITURES | CURRENT YEAR CASH EXPENDITURES | ADJUSTMENTS PRIOR YEARS | CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED | ACCRUED (DEFERRED) REVENUE JUNE 30, 2005 |
|--|-------------------------------|--------------------------------------|----------------------------|---|---|
| \$0 | \$0 | \$11,050 | \$0 | \$11,050 | \$0 |
| 0 | 0 | 1,699 | 0 | 1,699 | 0 |
| <u>\$0</u> | <u>\$0</u> | <u>\$12,749</u> | <u>\$0</u> | <u>\$12,749</u> | <u>\$0</u> |
| 0 | 0 | 55,226 | 0 | 55,226 | 0 |
| 0 | 0 | 134,106 | 0 | 134,106 | 0 |
| <u>0</u> | <u>0</u> | <u>1,477</u> | <u>0</u> | <u>1,477</u> | <u>0</u> |
| \$0 | \$0 | \$203,558 | \$0 | \$203,558 | \$0 |
| 0 | 0 | 50 | 0 | 50 | 0 |
| 0 | 0 | 1,000 | 0 | 1,000 | 0 |
| 0 | 0 | 28,269 | 0 | 28,269 | 0 |
| <u>0</u> | <u>0</u> | <u>8,246</u> | <u>0</u> | <u>8,246</u> | <u>0</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$37,515</u> | <u>\$0</u> | <u>\$37,515</u> | <u>\$0</u> |
| <u><u>\$125,904</u></u> | <u><u>\$393,851</u></u> | <u><u>\$703,768</u></u> | <u><u>\$0</u></u> | <u><u>\$829,672</u></u> | <u><u>\$0</u></u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$703,768

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund

\$483,941

School Service Fund

219,827

TOTAL

\$703,768

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

| | | |
|---|-----------|-------------------------|
| Current Payments Per the Grant Section Auditor's Report (Form R 7120) | | \$413,599 |
| <u>Less:</u> State Funded Grants | | |
| School Breakfast Program State Funds | | (2,133) |
| <u>Add:</u> Grants Passed Through Genesee Intermediate School District: | | |
| Special Education Grants (CFDA 84.027) | \$342,249 | |
| Special Education - Preschool Grants (CFDA 84.173) | 9,551 | |
| Safe and Drug Free Learning (CFDA 84.184L) | 11,155 | |
| PEP-C.M. White Physical Fitness (CFDA 84.215F) | 937 | |
| Emergency Response Plans (CFDA 87.184E) | 5,000 | |
| WIA Title I Year Round Youth Services (CFDA 17.259) | 50 | |
| Medical Assistance Program Title XIX (CFDA 93.778) | 8,246 | |
| Total Grants Passed Through Genesee Intermediate School District | | 377,188 |
| Passed Through Genesee County Community Action Resource Dept. Headstart (CFDA 93.600) | | 28,269 |
| Entitlement and Bonus Commodities (CFDA 10.550) | | <u>12,749</u> |
| <u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u> | | <u><u>\$829,672</u></u> |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)
84.010
84.027/84.173

Name of Federal Program or Cluster
Title I
Special Education Cluster

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2005-1) Title I (CFDA #84.010) & Special Education Cluster (CFDA 84.027 & 84.173)

| | |
|------------------------------|---|
| <u>Specific Requirement:</u> | Allowable Cost/Cost Principles. |
| <u>Condition:</u> | The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective. |
| <u>Criteria:</u> | The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee". |
| <u>Effect of Condition:</u> | Salaries and wages charged to the program could be disallowed. |
| <u>Cause of Condition:</u> | The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification. |
| <u>Recommendation:</u> | The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months. |
| <u>Management Response:</u> | The District will develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months. |
| <u>Questioned Cost:</u> | None. |

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2004-1) Title I (CFDA #84.010)

| | |
|------------------------------|---|
| <u>Specific Requirement:</u> | Allowable Cost/Cost Principles. |
| <u>Condition:</u> | The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective. |
| <u>Criteria:</u> | The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee". |
| <u>Effect of Condition:</u> | Salaries and wages charged to the program could be disallowed. |
| <u>Cause of Condition:</u> | The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification. |
| <u>Recommendation:</u> | The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months. |
| <u>Status:</u> | The District is continuing to work on a standard time certification form and the appropriate employee or other supervisory employee completes the certifications every six months. |
| <u>Questioned Cost:</u> | None. |



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 10, 2005

To the Board of Education of
Genesee School District Number 6

In planning and performing our audit of the financial statements of Genesee School District Number 6 for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Genesee School District Number 6's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, Genesee School District Number 6 incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

2. Segregation of Duties

Due to the limited size of Genesee School District Number 6's accounting staff, ideal segregation of responsibilities for internal control purposes is impractical. An effective system of internal accounting control contemplates an adequate separation of duties so that no one individual handles a transaction from its inception to its completion. We recognize that Genesee School District Number 6 is not large enough to make the employment of additional persons, for the purpose of separating duties, practical from a financial standpoint; but we are required, under our professional responsibilities to call this situation to your attention.

3) School Activities

When cash is collected for school activities, a reconciliation of the cash collected versus the attendance or product sold should occur.

4) Investment Policy

The Board needs to develop and approve an investment policy in accordance with GASB 40.

FUTURE ISSUES

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Genesee School District Number 6, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.



Genesee School District Number 6

Page 2

August 10, 2005

The basic premise of GASBS No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Genesee School District Number 6's Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS